

## Message Text

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46

ACTION NEA-10

INFO OCT-01 AF-06 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

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FRB-03 PRS-01 PA-01 EUR-12 ACDA-05 IO-10 NRC-05

OPIC-03 AGR-05 /146 W

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R 221232Z JUL 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2638

AMEMBASSY ALGIERS

AMEMBASSY CAIRO

AMEMBASSY COLOMBO

AMEMBASSY DAKAR

AMEMBASSY DAR ES SALAAM

AMEMBASSY GEORGETOWN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MEXICO

AMEMBASSY NEW DELHI

AMEMBASSY PORT OF SPAIN

AMEMBASSY TEL AVIV

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E.O. 11652: NA

TAGS: ENRG, PFOR, ETRD, EINV, IR, MX

SUBJ: ECHEVERRIA VISIT TO IRAN - OIL PRICES AND POSSIBLE ECONOMIC  
COOPERATION

REF: MEXICO 6095

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1. SUMMARY. MEXICAN PRESIDENT'S IRANIAN VISIT BROUGHT FORTH

STATEMENTS BY BOTH HEADS OF STATE SUPPORTING HIGHER OIL PRICES. SHAH REPEATED HIS DETERMINATION TO USE OIL WEALTH TO BUILD UP IRAN'S MILITARY STRENGTH. IRANIAN PRESS SAID EACH SIDE AGREED TO MAKE A \$400 MILLION CREDIT AVAILABLE FOR JOINT VENTURES IN BOTH COUNTRIES, BUT FONMIN'S SOURCE INDICATED ECONOMIC AGREEMENT LIMITED TO IRAN'S INVESTING \$400 MILLION IN MEXICO, IF MONEY AVAILABLE LATER. END SUMMARY

2. AT THE CLOSE OF THE JULY 17-21 VISIT TO IRAN OF PRESIDENT LUIS ECHEVERRIA, A JOINT PRESS CONFERENCE CARRIED OVER NATIONAL IRANIAN RADIO AND TV WAS HELD IN WHICH THE SHAH REITERATED AT SOME LENGTH THE JUSTIFICATION FOR AN INCREASE IN THE PRICE OF OIL TO COVER THE ALLEGED 30-35 PERCENT DECLINE IN OIL REVENUES' PURCHASING POWER BECAUSE OF WORLD INFLATION. HE SAID IRAN WOULD NOT INSIST ON AN INCREASE IN OIL PRICES COMMENSURATE WITH THE OIL EXPORTING COUNTRIES' ERODED BUYING POWER, BUT HE STATED THE AMOUNT OF THE INCREASE IN THE PRICE OF OIL WOULD BE DETERMINED BY "MANY FACTORS" IN CONSULTATION WITH OTHER MEMBERS OF OPEC. HE CLAIMED HIGHER OIL PRICES WOULD NOT UNDLY HURT THE WORLD ECONOMY AND REITERATED THE IRANIAN VIEW THAT PAST OIL PRICE INCREASES WERE RESPONSIBLE FOR ONLY A SMALL PART OF WORLD INFLATION. PRESIDENT ECHEVERRIA STATED THAT MEXICO WOULD UPHOLD A PRICE INCREASE AND NOT UNDERCUT OPEC BY SELLING OIL AT A LOWER PRICE. THE OFFICIAL COMMUNIQUE RELEASED AT THE CLOSE OF THE VISIT STATED THAT THE TWO HEADS OF STATE "REAFFIRMED THAT THE PRICES OF OIL AND OTHER RAW MATERIALS SHOULD BE CLOSELY RELATED TO THAT OF OTHER COMMODITIES."

3. WHEN QUESTIONED ABOUT STORIES APPERING IN WESTERN PRESS THAT OUL-PRODUCING STATES WERE SQUANDERING THEIR WEALTH ON WEAPONS, SHAH RECALLED THAT IRAN HAD BEEN INVADED BY FOREIGN POWERS IN BOTH WORLD WARS, ALTHOUGH IT HAD DECLARED ITS NEUTRALITY AND THAT "OUR COUNTRY WILL NOT BE TAKEN BY SURPRISE AGAIN. WE HAVE DECIDED TO DESTROY OUR COUNTRY OURSELVES BEFORE ALLOWING IT TO BE OCCUPIED BY THE ENEMY, BUT BEFORE THAT WE WILL FIGHT AND TO FIGHT WE NEED WEAPONS."

4. SHAH REAFFIRMED IRAN'S SUPPORT FOR NON-PROLIFERATION TREATY AND ITS DESIRE THAT THE MEDEAST BE DECLARED A NUCLEAR-FREE ZONE, BUT NOTED IRAN IS ATTAINING THE CAPACITY TO BECOME A NON-MILITARY NUCLEAR POWER.

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5. VISIT WAS ROUTINE BUT SUCCESSFUL IMAGE-BUILDING EXERCISE BY 184-MAN MEXICAN DELEGATION. IN PUBLIC PRONOUNCEMENTS, ECHEVERRIA STRESSED SIMILARITY MEXICAN AND IRANIAN REVOLUTIONS AND DESIRE FOR ECON, SOCIAL, AND CULTURAL COOPERATION BETWEEN THIRD WORLD PARTNERS. TWITTING OF SUPERPOWERS WAS HELD TO MINIMUM, APPARENTLY WELL BELOW OTHER ECHEVERRIA VISITS SUCH AS ALGIERS. LITTLE OF SUBSTANCE ACCOMPLISHED, THOUGH THREE ECONOMIC AGREEMENTS SIGNED: (1) PAYMENTS AGREEMENT BETWEEN BOTH COUNTRIES' CENTRAL

BANKS; (2) FINANCIAL PROTOCOL BETWEEN THE GOI MINISTRY OF ECONOMIC AFFAIRS AND FINANCE AND THE MEXICAN FINANCE MINISTRY, AND (3) LETTER OF ASSOCIATION BY THE PRESIDENTS OF EACH COUNTRY'S CHAMBER OF COMMERCE SETTING UP A JOINT IRANIAN/MEXICAN BUSINESS COMMITTEE WHICH WILL MEET ANNUALLY. IRANIAN PRESS REPORTED EACH COUNTRY AGREED TO MAKE AVAILABLE \$400 MILLION CREDIT FOR FINANCING JOINT VENTURES IN BOTH COUNTRIES, BUT DIRECTOR AMERICAN DIVISION AT FONMINISTRY HATEF SAID AGREEMENT WAS ONLY FOR IRANIAN INVESTMENT IN MEXICO, AND MEXICANS WERE TOLD IRAN WOULD HAVE NO MONEY FOR THIS BEFORE LATE SEPTEMBER AT EARLIEST. COMMUNIQUE INDICATED JOINT VENTURE PAPER MILLS, CEMENT PLANTS, MAN-MADE FIBERS, SUGAR MILLS, HEAVY EQUIPMENT MANUFACTURING (MAINLY FOR CONSTRUCTION INDUSTRY AND OIL DRILLING PLATFORMS), COOPERATION IN PETROLEUM AND PETRO-CHEMICALS AND IN URBAN DEVELOPMENT PROJECTS WERE DISCUSSED. THESE COVER SIMILAR TERRITORY TO PROJECTS REVIEWED AT THE JOINT MEXICAN-IRANIAN ECONOMIC COMMISSION MEETING (SUBCABINET AND TECHNICAL LEVEL) DURING THE EARLY JUNE VISIT OF A MEXICAN DELEGATION LED BY THE FINANCE UNDER SECRETARY. NOTHING YET ACCOMPLISHED ON ANY JOINT VENTURE AGREEMENTS, WHICH WOULD REQUIRE FURTHER CONCURRENCE OF BOTH GOVERNMENTS. CULTURAL AND SCIENTIFIC AGREEMENTS ALSO WERE SIGNED, BUT THESE COVER ROUTINE EXCHANGES OF TEACHERS, STUDENTS, AND TECHNICAL PERSONNEL.

6. HATEF ALSO THOUGH THERE HAD BEEN NO REPEAT NO DISCUSSION OF FUTURE ECHEVERRIA ROLE IN AN INTERNATIONAL ORGANIZATION (PARA FOUR REFTEL).  
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## Message Attributes

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**Copy:** SINGLE  
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**TAGS:** ENRG, PFOR, ETRD, EINV, IR, MX, (ECHEVERRIA ALVAREZ, LUIS)  
**To:** STATE  
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